The Hidden Costs of "Free" Trade: Environmental and Social Consequences of Economic Liberalization in the Enterprise for the Americas Initiative

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The "Enterprise for the Americas Initiative" was designed to incorporate Latin America into a system of global trade while addressing the region's need for environmental protection. Will the goal of trade liberalization undermine the Initiative's ability to contribute to sustainable development? This paper discusses the concept of sustainability as it relates to future development strategy. It also examines two threats to the implementation of sustainable development: first, from globalization of trade institutionalized by the EAI, and second, from GATT measures designed to buttress policy programs such as the EAI and NAFTA. Using applied notions of sustainable development, the Initiative's provisions—international standardization of trade regulations, open investment, debt accompanied by conditionality, and the Environmental Fund—are reviewed on the basis of their impact on environmental and social stability.

One measure of prosperity in the most important long-term investment any nation can make is environmental well-being.

—President George Bush
"Remarks Before the Business Community"
Washington, D.C., June 27,1990

Freedom of Investment—freedom to expatriate profits, to manipulate local politics, to pay workers slave wages, to block social programs, to spoil the environment unhindered by regulation—has been the true meaning of 'free' in 'free market.' It involves stealing away national sovereignty, repressing labour organizing and political parties, destroying self-sufficiency in food and basic goods, keeping wages and the standard of living low, and broadening the gap between rich and poor.

—Bill Hall
Who Owns Whom
Winter 1986

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> The concern of environmental organizations in the United States has focused on nature conservation almost exclusively, to the neglect of other issues like garbage, river pollution, contaminated water, and the flow of toxics and garbage from the U.S. and other countries.
>
> —Alvaro Umaña
> Former Minister of Natural
> Resources, Energy, and Mines, Costa Rica

Introduction

South and Central America hold some of the planet's greatest riches of ecological diversity. Paradoxically, these same areas are threatened, at an increasingly rapid rate, by extreme levels of environmental degradation, thus worsening their present social and economic instability. Indeed, scholars, politicians, and environmentalists are all struggling to devise strategies that will address this impending crisis.

One such proposal, advanced by U.S. President George Bush in June 1990, aims to incorporate Latin America into a system of worldwide free trade and open market economics, while at the same time serving the regional needs for environmental protection. Dubbed the "Enterprise for the Americas Initiative" (EAI), this plan is a three-pronged approach to expand trade with Latin America, reduce and restructure official bilateral debt, and promote direct investment in the region. Within the debt pillar of the EAI, the administration has outlined "debt for nature swaps" as a means to remedy Latin America's environmental crisis while reducing its debt burden. Yet, an important question must be asked: will this proposal establish and promote sustainable development by creating an atmosphere of insurance for Latin America's environment and, consequently, for the people who live there? Or, does the goal of trade liberalization—facilitated through open investment, minimal debt alleviation, and conditions of structural adjustment—which motivates both the implementation of EAI and the subsequent patterns of resource use in these regions, implicitly undermine the EAI's ability to contribute to complementary goals of sustainable development and environmental protection?

The mounting evidence of ecological disruption and exhaustion of resources, occurring at rapid rates throughout the developing world, denotes an unequivocal need for a rigorous analysis of the relationships linking trade, economy, and the environment. An insightful and environmentally relevant notion of development must be capable of addressing not only what is required to satisfy today's needs, but also of ensuring the long-term, dynamic stability of the planet. It requires the inclusion of economics and ecology with a political commitment to guarantee that development proceeds sustainably. In short, the adap-

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tation of policy initiatives requires an expansion of the notion of development beyond the measure of economic growth as merely a function of the increase in productive capacity, or GNP.

Latin America is at a critical juncture; the negative effects of environmental and social pressures will prove insurmountable unless a concerted global effort can be undertaken that addresses the causes of these pressures and new parameters for their solution. Deforestation, soil erosion, and air and water pollution, for example, are a considerable threat in regions where more than one-half of all export earnings derive from renewable natural resources, and one- to two-thirds of the labor force participates in farming, ranching, forestry, and fishing activities.[1]

The proliferating agro-export economies and capital-intensive industrial development in Latin America are largely responsible for the first waves of pesticide pollution and poisoning, toxic waste contamination, and deforestation in the region. Further destruction, including the continued clearing of tropical forests, soil depletion and erosion, and diminished water tables, has resulted from landlessness, produced by displacement of the poor from lands designated for economic development.[2] For Latin America to find relief from its quagmire of social and environmental problems, further development cannot occur without environmental protection, and protection will prove to be impossible without authentic efforts to assure that development is sustainable.

This paper explores the provisions of the Enterprise for the Americas Initiative—international standardization of trade regulations, open investment, debt accompanied by conditionality (structural adjustment), and the Environmental Fund—in an effort to determine the environmental and social implications that can be expected as a result of trade globalization, institutionalized through the EAI and related international and bilateral policy programs such as the General Agreement on Tariffs and Trade and the proposed North American Free Trade Agreement. Specifically, this study seeks to determine if the Initiative possesses the capability to promote ecologically sustainable development within a formula for economic liberalization, which has historically run counter to the region's needs for environmental protection and sustainable growth. The baseline requirements for sustainable development—equitable control over natural resources, attention to human betterment, maintenance of the natural diversity and fertility of the ecological system, and sound, ecologically based modes of production—are the tools of analysis for this paper.

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The Enterprise for the Americas Initiative

The Bush Administration launched the Enterprise for the Americas Initiative, a U.S. government proposal created to support economic reform in Latin America through market liberalization, on June 27, 1990. The Initiative proposes to lead the way to stable economic growth with a three-pillared program. By expanding trade, stimulating foreign investment, and reducing or canceling some $12 billion in United States government loans, the Initiative is designed to contribute to the formation and development of Latin America as a trade partner while creating the stability for the functioning of free-market economies. As President George Bush announced when unveiling the Initiative, it forms part of the overall strategy to create a hemispheric free trade zone "stretching from the Port of Anchorage to the Tierra del Fuego."[3] As proposed, the Initiative embodies the first comprehensive policy agenda toward Latin America since President John F. Kennedy's "Alliance for Progress," which sought to bolster the Latin American business sector and link it to the U.S. economy.[4]

Since 1980, Latin America has confronted serious economic and social problems resulting from reduced economic growth and high financial instability, which have been provoked, in large part, by an external debt burden of U.S. $412 billion and growing poverty in the region. Latin Americans now struggle with urgent necessity to find a solution to their continuing economic crisis. This struggle will take place in the context of a world economy that is now in a period of restructuring, in which new rules, principles and economic priorities will be established. The role of trade will undergo significant transformation as well. The Initiative is intended to integrate Latin America into this new global economy.[5]

Trade

The trade component of the Enterprise for the Americas Initiative is crafted to promote the goal of hemispheric free trade through the success of complementary open-investment and debt-reduction schemes. In working toward the vision of free trade, the Bush Administration has already signed 14 bilateral or multilateral agreements with 29 Latin American and Caribbean countries.[6] Although the establishment of framework agreements is not accompanied by an immediate initiation of free trade negotiations, they are nonetheless intended as "vehicles for opening markets and developing closer trade ties."[7] By signing framework agreements with the United States, each Latin American or Caribbean country must acknowledge its interest in shared principles, namely, the benefits of open trade and investment,

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the increasing importance of the services sectors to the economies, and the need for adequate intellectual property rights.[8] Following the establishment of framework agreements, countries are examined on a case-by-case basis to determine whether "a Free Trade Agreement (FTA) would be in the economic interest of the United States and consistent with overall [U.S.] objectives."[9] In order to qualify, a country must be committed to a stable macroeconomic environment and market-oriented policies, and willingly adopt economic and investment structural policy reform. The country must also commit to a multilateral trading system compatible with the overall objectives of the EAI.[10]

INVESTMENT

The second pillar of the Initiative seeks to unlock potential for domestic and foreign investment in Latin America and to encourage the return of domestic capital into the region from overseas. The Initiative advances two mechanisms, both created under the auspices of the Inter-American Development Bank (IDB), to foster investment liberalization. A new investment-sector loan program will support investment reforms, while a Multilateral Investment Fund will provide U.S. $1.5 billion over a five-year period beginning in 1992. These mechanisms are expected to increase financial support for technical assistance, privatization, and liberalization of investment regimes. The U.S. Congress has approved the transfer of $500 million, in installments of $100 million per year, to the IDB for implementation of the fund.[11]

DEBT

Latin American and Caribbean countries' debt to commercial banks and official creditors has been cited as a primary cause of slow economic growth and declining investment in the region.[12] The U.S. Treasury Department projects that debt reduction offered through the Initiative will raise investor confidence and encourage repatriation of capital.[13] In addition, debt reduction is intended as an incentive for Latin America to continue economic reforms, as only eligible countries will be targeted for the much-needed relief.

Latin America's outstanding loans to the United States are of two types: commercial debt, or money that is owed to private banks, and official debt, which involves funds owed to the U.S. government. The Initiative has indicated support for the reduction of commercial debt through the mechanisms created by the Brady Plan. This plan, advanced by Secretary of State James Brady in March 1988, was created to encourage capital repatriation and foreign investment through commercial debt reduction, using debt mechanisms such as collateral

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bonds, debt buy-backs and debt exchange at reduced rates. Yet, debt reduction through the Brady Plan has proven to be highly problematic in its efficacy in alleviating the debt burden. In Mexico, the Brady Plan reduced principal payments by 13 percent; however, "total debt has climbed over the U.S. $100 billion mark, more than that owed during the country's bankruptcy in 1986, and 6 percent more than in 1989, when it entered the Brady Plan."[14]

The Initiative also proposes that funds allocated to the Inter-American Development Bank through the Initiative be used to renegotiate debts with commercial banks, although funding would be conditioned by reforms that are mandated by the World Bank and the International Monetary Fund.[15] Official debt obligations to the United States total U.S. $12.2 billion, $7.3 billion of which is available for debt reduction or restructuring in the EAI under Development Assistance (DA), Economic Support Fund (ESF), and Public Law 480 (Food-for-Peace PL-480) loans.[16] It is this portion of official debt owed to the U.S. government that will be channeled to the establishment of environmental funds in the countries of the region, according to EAI legislation. All debt remaining after partial forgiveness will be rescheduled over a longer period, with reduced interest rates of about 2 to 3 percent.[17]

The environmental component of the EAI was fashioned after "debt-for-nature" swaps, used in the past to reduce commercial debts and foster the development of environmental protection measures within the debtor nation. The U.S. government would offer to forgive the debt, or donate the "debt instrument" to that country's central bank, in exchange for certain environmentally beneficial actions taken in that country.

Implications of Free Trade

EAI IN THE GLOBAL CONTEXT

What are the implications of free trade for the environment? With this question we turn to address the connections that exist between the EAI and global trends towards trade liberalization. Ultimately, the U.S. envisions combining bilateral and multilateral agreements with Latin America and the Caribbean to create a "hemispheric system of free trade in Latin America."[18] To accomplish this goal, the U.S. Department of Commerce has stated that the EAI "is compatible with, and fully supportive of, the multilateral trading system ... we [Department of Commerce] are using the meetings of the framework agreement-created councils to coordinate our positions on GATT."[19] GATT is the negotiating forum for the establishment of global trade agreements that govern the

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functioning of the world market system. The successful negotiation and finalization of the current and seventh round of GATT agreements, known as the Uruguay Round, are of "utmost importance to the hemispheric free trade initiatives." In its report on the Initiative, the Department of Commerce states: "We expect that a successful round will set the international baseline standard for services, trade, intellectual property protection, investment performance requirements and other areas that will make negotiation of a Free Trade Agreement easier."[20] In addition, NAFTA (which, if ratified, will become legally effective on January 1, 1994) will incorporate Mexico into the U.S.–Canada Free Trade Agreement and is intended to serve "as a model for other such agreements in the hemisphere."[21]

The Uruguay Round negotiations of GATT, the EAI, and NAFTA constitute three levels—global, regional, and bilateral—of a materialization of "free trade," as defined through the theoretical framework of neoliberal economics. These specific programs seek to promote the goal of free trade from each respective angle; each of the three serves to set in motion a series of measures that will serve to deregulate global trade. The significance of the success of trade liberalization in any one of the three trade forums—GATT, the EAI, or NAFTA—lies in the fact that any advances made toward the accomplishment of free trade objectives in one forum count as advances in each of the other forums.

Unfortunately, there is mounting evidence that the success of these proposals also represents the probable disregard for ecological concerns. Thus, losses in Latin America's ecological and social stability, derived from the effects of trade, can be incurred from trade globalization mandated from any and all of the free trade agreements now under negotiation. The GATT negotiations will cover several areas that could have serious environmental consequences for the Latin American region. These wide-scale reforms can be characterized under three negotiating areas: decoupling, tariffication, and harmonization. The U.S. proposals at the negotiating table, if approved, will "alter the rules governing world trade in food, natural fibers, fish and forestry products and would seriously limit the right of GATT member nations to implement a wide range of natural resource protection laws at local, provincial and national levels."[22]

DECOUPLING

The first type of EAI-supported GATT reform measures fall under an area known as "decoupling," which refers to the removal of subsidies that provide price supports for locally produced goods, such as agricultural commodities.[23] Decoupling appears in GATT as the first

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effort to create global agricultural policy, which has been and continues to be undertaken as part of structural adjustment austerity programs initiated under the auspices of the World Bank or International Monetary Fund. On a much wider scale this can be likened to the process of agricultural subsidy removal under adjustment plans; its environmental implications are quite similar, yet more extensive.

Under free trade, the reduction of farm subsidies can be expected to halt the implementation of government-funded environmental protection and conservation programs (soil erosion management, crop rotation techniques, integrated pest management systems), reforestation efforts, and measures that are designed to assist farmers in transition to more environmentally sustainable methods of production.[24] Intensive farming, through chemical and fertilizer applications, could become more prevalent, since the reduction of food prices, ostensibly resulting from the liberalization of agricultural trade, will require that smaller farmers increase their productivity in order to survive in an increasingly competitive world market.[25] Since the loss of farm programs will mean less income for family farmers, it will be exceedingly difficult for farmers to "take the risks necessary to make the conversion to more sustainable practices and therefore less able to invest in vital soil and water conservation improvements."[26] In addition, as a result of the U.S. GATT proposal, peasants and farm families around the world may be "forced out of business, even if they cut corners to intensify production to their maximum ability. Some of these producers will be replaced by absentee or corporate owners who have the capital necessary to increase fertilizer and chemical use enough to survive."[27] To use a Latin American illustration of the decoupling process, Mexico is expected to lose up to 30 percent of its agricultural jobs as a result of the removal of farm subsidies.[28] As The Development Group for Alternative Policies has pointed out, "small farmers will be forced to become workers on Mexican plantations, while many others will become migrant laborers in the United States."[29] By inducing further poverty in Latin America, subsidy removals place further pressure on Latin America's soils, forests, and water supplies, as many of the poor are forced into unsustainable farming techniques in order to survive.

Tariffication

Multilateral efforts to transform current import quota restrictions into tariff structures constitute the second major area where free trade affects environmental stability in developing nations. This process involves the conversion of existing quotas into import taxes, which will then be gradually eliminated over a five-to-ten year period. Present quotas on the amounts of goods imported into a developing country are

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used to protect local agricultural and fishing industries from being driven out of production by cheaper imports from industrialized countries such as the United States, Canada, Australia, and the European Community. Under GATT, countries will be prevented from applying import quotas; this could raise the need for farmers to increase pesticide-intensive production, and other types of environmentally damaging methods, to compete with cheaper imports. Similarly, import control laws that have been designed specifically to protect scarce resources from overexploitation will be illegal if efforts to pass tariffication for free trade benefits succeed. For example, many U.S. environmentalists who have been calling for bans on tropical hardwood imports to the U.S., in efforts to slow deforestation rates, are concerned that the U.S. proposal to eliminate qualitative import controls could prevent a tropical timber ban from ever being adopted by the United States or any other country.[30] Restricting imports on scarce and ecologically vital resources from developing countries could reduce the pressure being exerted upon these countries to engage in certain unsustainable extraction processes undertaken to obtain foreign currency. As the demand for products such as these diminishes among industrialized countries, developing nations could conceivably be encouraged to pursue more sustainable paths toward development in the global arena. Import restrictions, therefore, are capable of contributing to the transition of Latin American economies to environmentally sustainable development practices.

Import restrictions can be expected to have a similar effect on the cattle and ranching industries, where "larger feed lot and confinement operations" typically replace smaller, "diversified livestock producers."[31] Mark Ritchie, from the Institute for Agriculture and Trade Policy, points out "the reduction in feed prices under the U.S. plan will put large livestock producers at an enormous competitive advantage over smaller, diversified families who grow their own feed. Not only will this squeeze out smaller producers, it will also mean even greater environmental problems caused by manure run-off from these huge operations."[32]

Essentially, in the U.S. proposals to GATT, efforts to eliminate quotas and import control laws, under the negotiating area of tariffication, will provide the mechanisms within the EAI that can be expected to further dismantle the infrastructure that is essential to adequate resource management and poverty alleviation. Agricultural infrastructure whose stability could contribute to the reduction of further incursions on Latin America's fragile resource base would also be largely discarded.

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Harmonization

Environmental protection standards are a controversial issue in the negotiation of recent free trade agreements, such as NAFTA and GATT; they promise controversy throughout Latin America as well, as they are introduced through the multilateral trade initiatives supported in the EAI. Coined "harmonization" by free trade advocates, this measure could result in the weakening of environmental, safety, and health standards through the imposition of procedures limiting the right of nations to set higher standards than those that have been internationally recognized. Further, harmonization contains the potential to reduce U.S. congressional authority over establishing legislation that protects the environment and human health, thereby undermining national sovereignty.

The implementation of harmonization, under GATT, could result in the reduction of environmental regulations of all involved countries to the lowest prevailing standards among them. Under GATT procedure,

> ...the Rome-Based agency Codex Alimentarius (CODEX), made up of government officials with the active participation of executives from chemical and food companies, would be the main source of "acceptable" scientific evidence regarding food safety.[33]

Currently, it is estimated that 16 percent of the pesticide tolerance standards set by Codex are weaker than current U.S. tolerances; as "scientific evidence" became the sole consideration in regulating imports, disregard for social, economic, religious, or cultural concerns would prevail, making attempts to enforce domestic standards stricter than those recommended by Codex subject to trade retaliation. If Codex becomes the baseline for acceptable national standards, "farmers in countries with stricter standards will find themselves competing with imported foods produced under much less strict environmental regulations. If this situation begins to threaten their economic survival, they may feel compelled to lobby for lower standards to create a 'level playing field.'"[34] Furthermore, GATT standards could be used by officials to influence changes in domestic environmental regulations. Former U.S. Agriculture Secretary Clayton Yeutter, for example, has expressed his intention to use GATT standards as an instrument with which to overturn or weaken various pesticide regulations and food safety laws both in the United States and abroad by arguing that when other countries are in agreement about given products, it may be necessary for the the EC or the U.S. to acknowledge the fact that their standards for that product are too strict.

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Harmonization of environmental standards will also greatly limit local and national governments' abilities to set environmental and consumer protection standards. For example, if Mexico were to attempt legislation to control water pollution and hazardous waste dumping in its "maquiladora" (in-bond assembly and production) industries along the U.S.–Mexican border (an area that has become notorious as an environmental disaster zone), thereby making their standards more strict than those currently prevailing, Mexico could be challenged for imposing "barriers to trade." These measures to promote ecological integrity, in part by subsidizing domestic producers, would not be permitted under harmonization codes.[35]

In the Canada–U.S. free trade agreement, higher national standards for environmental protection have already come under fire from free-trade advocates; the "Canadian Government's incentives to lead, zinc and copper smelters for the installation of pollution control devices designed to reduce sulfur-dioxide emissions causing acid rain were challenged by the U.S. Non-Ferrous Metals producers committee. The committee argues that, under the U.S.–Canada Free Trade Agreement, these incentives constitute unfair subsidies, since U.S. firms have to cover these factory conversions themselves."[36] If state and local governments were permitted to enact stricter environmental protection regulations, such actions could serve to influence the adoption of higher environmental standards at the national and global level. However, if efforts to "harmonize" national environmental standards succeed under free trade, the environment could be left completely vulnerable to the harmful effects of unregulated industrial production and unsustainable agricultural practices, without protection under national and state laws.

Harmonization can also be expected to impact environmental standards by overturning or weakening congressional authority concerning pesticide regulations and food safety laws around the world. For example, the United States Congress is currently considering legislation that would ban the export of pesticides that are currently banned for domestic use.[37] If passed, this legislation would substantially reduce the damage caused by toxic pesticide use in Central and South America; countries could turn to more sustainable agricultural practices such as "integrated pest management" techniques, and less harmful nontoxic organic fertilizers and pesticides. Yet, under GATT and related free trade agreements, Congress would be prohibited from implementing such legislation, as it runs counter to internationally recognized free trade rules as a "barrier to trade."[38]

Given the efforts to "harmonize" environmental standards to facilitate "free" trade, it is relevant to ask: how would new environ-

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mental laws be created if no single nation had the right to create such laws? Harmonization indicates that underdeveloped countries would only be permitted to do so with the consent of the developed nations, who define the international environmental standards through international agreements such as GATT, which is expected to provide the baseline standards for "trade-related" measures in the EAI.[39] Although it is possible that environmental concerns with regards to harmonization could be negotiated with special provisions (parties involved in the recent NAFTA have recognized that "it is inappropriate to encourage investment by relaxing domestic health, safety and environmental standards"), the language of the agreements remains ambiguous concerning improved standards protection.[40]

Trade-Related Intellectual Property Rights: Imbalance of Power

Another trade-related measure that can be expected to solidify industrialized nations' control over the resources of the developing nations of Latin America is known as "Trade-Related Intellectual Property Rights," or "TRIPs."[41] Intellectual property rights are awarded to any inventor through patents, copyrights, or trademarks on designs, technology, or products. These measures will serve to reduce needed environmental technology transfers, as well as curb the development of local Third World technology. In addition, TRIPs could result in the loss of local control over products derived from the region's natural resources and the requirement to pay royalties on the products derived from them. The biotechnology industry, for example, could acquire, through TRIPs, exclusive rights over the use of genetic resources obtained from the biologically rich diversity of the South.

In the Uruguay Round, industrialized countries have been lobbying hard for the inclusion of intellectual property rights in future free trade relationships. It is ironic that these countries are acting to install a form of protectionism (since developed nations hold 99 percent of the world's patents) that will hinder the diffusion of technological knowledge and, in doing so, preclude global development, while they uphold principles of trade liberalization in all other areas of the agreements. The prevention of technological transfers to developing countries could effectively halt all movement of sustainable resource-use technologies that are currently under development in the United States and other industrialized nations. Countries that are in desperate need of resource conservation technology in areas such as reforestation, water purification, renewable energy sources, watershed and soil management, and irrigation would be cut off from access to and exchange in such valuable technological innovations.

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The real conflict of interest between industrialized and financially rich countries of the North and biologically diverse areas of the South can be characterized as one of biotechnical control. It is becoming common for companies to subcontract professional "gene-hunters" to seek new genetic materials:

> ...they talk to indigenous peoples living in the areas and take away their samples. When samples are processed and a product is made, the "discovery" is patented and rights are under control of the company backing the project, even though the knowledge leading to that product as likely as not came from indigenous peoples.[42]

The people of the South, then, have become witnesses to this trend in which wealthy biotechology companies can come to financially poorer areas of the world and reap profits. The U.S. is now seeking protection, through TRIPs, for its own biotechnology innovations that have been developed from the diverse life forms of the Third World. Under TRIPs, "countries would be asked to pay royalties on biotechnology products that are based upon genes obtained from their own backyards and whose knowledge came from their local herbalists, farmers or tribal peoples."[43] These countries, as well as the indigenous peoples living within their borders, however, would not receive payments. Nor would they receive "respect and recognition for the benefits which come from their own knowledge."[44] What this process amounts to, in essence, is a tremendous cultural and technological appropriation.

The process of securing intellectual property rights over products derived from the biodiversity found in developing nations, for use by developed nations, could also undermine the necessity for localized control over resources. Monsanto, a U.S.-based biochemical corporation, would be allowed, under the auspices of free trade provisions, to sell a genetically bred tomato that is resistant to its own chemical herbicide, "Roundup." Not only does that imply that Monsanto now has "the means to destroy any plant that is not the product of its own laboratory," but also that multinationals such as Eli Lilly, Dow Chemical, and Monsanto will own the genetic information. If small farmers attempt to use any of these genetic strains without paying royalties to these companies, they can be sued because the material would be under corporate ownership.[45] This level of control, over substances acquired from the biologically diverse resources of the South by countries of the North, is not conducive to environmental security in these areas. Historical precedents to the biotechnical revolution, such as the Green Revolution, actually resulted in the

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"centralisation and breakdown of the diversification of genetic potential in the Third World."[46]

Essential to the notion of sustainable development is the priority to ensure that all marketing and recognition of intellectual property rights should be under the control of indigenous peoples and implemented according to their ways of life. Unfortunately, the creation of TRIPs, along proposed lines, would represent a decisive step away from development avenues that could foster and enable environmental and human stability.

Open Investment Regimes: Increased Environmental Vulnerability

The third tenet of the EAI supports the liberalization of investment regimes as a way to generate foreign and domestic investment and the return of capital flight. The EAI includes a two-part proposal to foster the liberalization process: the establishment of a new investment sector loan program in the Inter-American Development Bank, to support investment sector reforms, and a new multilateral investment fund, also under the auspices of the IDB, which would administer $1.5 billion over a five-year period beginning in 1992.[47]

Although transfers through selective investment regimes could possibly be implemented in beneficial ways to promote sustainable practices, open investment has the potential to "unleash a myriad of social and environmental consequences."[48] Liberalized investment regimes carry such negative environmental consequences because, under GATT and EAI, countries would be obliged to reduce or eliminate "conditions regulating investments and operations of foreign companies on their territory," if government regulations could be qualified as "barriers to trade."[49] As Karen Hansen-Kuhn and Steve Hellenger emphasize in a recent report, the EAI and similar trade-related investment measures

> ...would make it much more difficult for Latin American governments to regulate these investments and control the levels of industrial waste and other forms of pollution, the use of dangerous pesticides and other agricultural inputs, and the depletion of their countries' natural resource base. [50]

This type of trade policy would effectively award free rein to logging companies, toxic waste disposal companies, and mining companies, among others, who would be free to operate in a highly unrestricted setting, regardless of the environmental impact of their practices.[51]

In addition to the loss in government's ability to restrict investment through free trade, investment mobility in Latin America will

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increase. The existence of lower environmental standards in less developed nations could serve as a strong incentive for U.S. and Canadian corporations to relocate to these areas in order to avoid more stringent regulations in their own countries.[52] Evidence of this trend in action was discovered in a recent survey of Mexicali maquiladora operators. According to the Development Group for Alternative Policies, 26 percent of these foreign operators "cited Mexico's lax environmental enforcement as a primary reason for their relocation to Mexico."[53] In a similar study, the U.S. General Accounting Office "found that the Southern California furniture-making industry is relocating wholesale to Tijuana to avoid stringent air-pollution standards."[54] These two cases are but minor examples of the potential environmental harm that unrestricted open investment regimes could lead to in Latin America. Although it is too early to predict the degree to which open investment in these regions will affect Latin America's environmental integrity, it is quite plausible, based on the evidence that does exist, that unrestricted investment has the potential to release unrestricted degradation of the environment.

Since the EAI is a regional plan to advance trade liberalization, the inclusion of open investment, debt reduction, and market-oriented reform mechanisms are necessary preparatory steps for the conversion of Latin American countries into compatible trade partners. The conceptual emphasis of the initiative lies with trade, but the contingent debt reduction schemes and conditionality attached to debt reduction are also strong potential sources of environmental dislocation.

Debt: A Dose of Deadly Medicine?

In order to generate the capital necessary to promote regional growth, and to build a stable economic environment hospitable to U.S. trade intentions, the Initiative has proposed $12.2 billion in official debt restructuring and reduction. To qualify for these loan reductions, countries are required to comply with structural adjustment programs mandated by the World Bank (WB) and the International Monetary Fund (IMF). Attention must be directed to all facets of this program. First, the total amount of debt alleviation is remarkably small, given the scope and magnitude of the debt crisis. Second, while debt reductions remain slight, the costs of debt conversion, namely, the economic hardships that are routine results of mandatory structural adjustment, will exacerbate conditions of poverty already experienced by the majority of Latin America's population and increase pressures on the land base throughout the region.

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Capacity For Debt Alleviation

As with previous commercial "debt-for-nature" swaps, the actual amounts that figure into the debt reduction program of the EAI are relatively small. The EAI covers bilateral, official debt of US $12.2 billion. Concessional debts, which are debts earmarked for forgiveness under the debt-for-environment program, are scheduled to be reduced, "depending on economic reform programs with the IMF and WB, investment liberalization and debt reduction agreements with commercial banks."[55] This portion of the debt is composed of P.L. 480-food assistance debt totaling $1.8 billion, and Development Assistance and Economic Support Fund debt totaling $ 5.5 billion. The remainder of official nonconcessional debt to the Export-Import Bank (EXIM) and Commodity Credit Corporation (CCC), totaling $4 billion, will be available for a variety of debt reduction schemes, either debt/equity/nature/ or development.

There are two aspects of the Latin American debt issue that are quite relevant to this investigation. First, although it may be thought that some debt reduction is better than none at all, the total amount of debt restructuring represents only 2.8 percent of the total regional debt of $425 billion.[56] Latin America is nevertheless required to continue interest and debt service payments on the remaining $412.8 billion. According to estimates made by the Overseas Development Council, the proposed debt reductions might save Latin America some $400 million annually—little more than one percent of the region's yearly interest bill.[57] And, a country will not receive reduction in the amount it pays each year, but rather it will receive a reduction in the total amount it owes.[58]

Historically, the links between debt and environmental devastation are clearly established: Latin America has attempted to cope with increasing debt burdens by lowering imports, thereby using the unspent foreign currency to make interest payments on the debt, while increasing exports in order to earn the desired foreign exchange. It is this very need to increase exports that has acted as an additional strain on the natural resource base, since export goods largely consist of agricultural products and primary materials such as timber and mineral ores. While the debt conversion represents a marginal contribution to debt alleviation, the remaining debt and structural adjustment requirements will continue to pressure the country's land base, resulting in far more harmful effects than the funds provided through the Initiative could ever be expected to counter.

The question of who pays for the conversion of debt into environmental funds directs our attention to other effects of this policy on the

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debtor nations. It is clear at this point that debt conversion is of central importance to international finance agencies. In a 1992 meeting with the Development Group for Alternative Policies, the U.S. Environmental Protection Agency representatives stated that, "while the Enterprise for the Americas Initiative would generate some funds for environmental projects, it is foremost a debt relief measure that is designed to leverage changes in, or continue adherence to, programs of macroeconomic management."[59] On the other hand, for developing countries, debt restructuring does not seem to represent any effective contribution to the improvement of social conditions.[60] The benefits of debt restructuring, in the form of economic growth, have yet to materialize for the majority of Latin America's impoverished, and the amelioration of conditions of poverty is indispensable if we are to ensure that preservation programs will be truly effective.

DEBT CONDITIONALITY: PRESSURES ON ENVIRONMENT AND PEOPLE

The implementation of broad-scale structural reforms is a mandatory condition to debt reduction eligibility, and these reforms are to function as the tools with which to actualize the Initiative's broader visions of trade and investment liberalization. Yet, the terms of economic conditionality, set under structural adjustment programs designed by the IMF and the World Bank, often lead to industrial deregulation and the reduction of environmental standards, as well as increased poverty, environmental degradation resulting from that poverty, and the push to expand exports. This appears to be evident in the case of Costa Rica, where the "pattern of unsustainable development has reached the point where efforts at conservation are being canceled out by the country's indebtedness and the structural adjustments it has made to pay back the debt."[61] Although small short-term environmental and sustainable development gains can be realized through the debt-for-environment fund, the countries that participate in the EAI must agree to conditions that, as a matter of course, may work against sustainable development and environmental stability.

In order to qualify for debt-for-environment programs under PL-480, ESF, or DA debt restructuring, the country must adhere to rigid macroeconomic conditions authorized through Public Law 101-624.[62] According to the conditions that have been set forth in the EAI, a country must "have in effect or have received approval for, or *as appropriate in exceptional circumstances*, be making significant progress towards the establishment of IMF and WB macroeconomic reform programs; have placed in effect major investment reforms in conjunction with an Inter-American Development Bank (IDB) loan or otherwise be implementing *or making significant progress* towards an open

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investment regime;" and, "*if appropriate* have agreed with its commercial bank lenders on a satisfactory financing program, including *as appropriate*, debt or debt service reduction" (emphasis added).[63] Compliance to these standards is a precondition to country eligibility, but the PL-480 EAI legislation, authorized by Congress, in which these requirements are specified, included the italicized phrases to make the requirements slightly more flexible. However, a waiver of conditionality requirements may only be obtained at the discretion of the executive branch. Many members of the environment and development community have voiced concern that the administration may fail to exercise the flexibility added to the legislation by Congress, since waiving conditionality could slow the process of trade liberalization.[64]

The high degree of conditionality attached to much-needed debt relief and funds for conservation programs is cause for concern because tight macroeconomic adjustment programs, which have been undertaken in the past under IMF and WB direction, have often had negative environmental and social consequences. Yet few Latin American countries are able to meet these requirements; only Jamaica, Chile, and Bolivia are eligible at this time. Furthermore, if a country is not qualified for a free trade agreement, interest payments must be paid in U.S. dollars, increasing the pressure on a country to obtain hard currency through environmentally degrading export mechanisms. Most often, the region's poorest countries are the ones that are not only in desperate need of debt relief, but also face the most severe threats of environmental degradation.

The Condition—Structural Adjustment

Although it is important to the future stability of Latin America that new economic policies and financial discipline be pursued, the terms set forth under structural adjustment programs can be expected to have at least three negative effects that run counter to the implementation of environmental conservation measures. First, the reduction of Latin America's food security resulting from adjustment exacerbates conditions of poverty and, in turn, environmental degradation. Second, cuts in public sector funding will effectively reduce the ability of each country's government environmental agency to contribute to locally generated conservation policy. Finally, currency devaluation and increased export promotion will encourage overexploitation of the resource base in order to gain foreign currency revenues to pay for expensive imported capital inputs and debt repayment.

Generally, structural adjustment strategies have included the lowering of tariffs, the deregulation of economic activities, including the relaxation of restrictions on foreign investment, and price devaluation

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measures. These profound changes in a country's economic system, consistent with growth-oriented development strategies as embodied in the EAI, operate under the assumption that new wealth gained through growth in the developing nation will eventually "trickle down" to the poor. Yet, while adjustment programs have reduced inflation and allowed for temporary economic growth in some countries, the social costs of reform have been extremely high and inequitable.

STRUCTURAL ADJUSTMENT: THREATS TO FOOD SECURITY AND ENVIRONMENT

When a structural adjustment program is initiated, among the first problems that severely affect human well-being is the loss of a country's food security. This is brought about by the restructuring of production, trade, and consumption by changing prices, levels and composition of government taxation and spending. Their effects on food security are significant, both through the alteration of the availability of aggregate food supplies and the ability of the country's population to have access to the food they need. The Development Group for Alternative Policies reported recently that in Mexico, "real wages have been effectively halved over the past eight years, while social services have been reduced and subsidies for many basic foodstuffs eliminated."[65] One of the benchmarks of structural adjustment is the reduction of subsidies, credits, and services to the agricultural sector. Due to cuts in these programs, countries such as Mexico have experienced a drop in the production of agricultural goods for domestic consumption. Given the rise in cost of agricultural inputs, farmers have been forced out of production, thereby decreasing the domestic food supply. The result of this trend has been that Mexico must now import its basic foodstuffs, using valuable foreign exchange, while larger multinational agribusiness companies use Mexican land to export agricultural products to the North. Meanwhile, wealth accumulation in Mexico remains highly concentrated. "In 1990, 37 of Mexico's top businessmen controlled 23 percent of the GDP, while 42 million Mexicans continue to subsist under the poverty line."[66] As the United Nations Food and Agricultural Organization noted in a recent development report:

> ... the adjustment process ... often results in a sharp fall in the real purchasing power of some of the poor and limits their ability to purchase food and other essential items. At the same time, the expected growth has not so far materialized in many countries. Thus, there appears to be an asymmetry between negative and positive effects of adjustment. Negative effects on the poor are often certain and immediate, whereas positive effects are uncertain and have long gestation periods.[67]

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The undermining of a country's basic food security has widespread implications for the environment, since the poor must often engage in environmentally degrading practices to grow food that they can no longer afford to buy. The poor may be forced to colonize rainforest areas to eke out a living though large-scale slash-and-burn agriculture, mining, or other exploitative practices, or revert to informal sector employment such as endangered wildlife trade or poaching. The relation between loss in food security, poverty, and environmental degradation is a vicious cycle. The resulting degradation of the resource base, brought on by misuse, eliminates the potential benefits that the poor could reap by maintaining a rich and valuable renewable resource base. Yet, the harsh effects on food security, brought about by structural adjustment, leave few options for the poor in Latin America.

Structural adjustment: Reduction in Institutional Protection

Another way in which structural adjustment stifles environmental protection in developing countries is in its impact on local conservation efforts. IMF lending responsibilities fall at the macroeconomic level on those instruments that have a major macroeconomic effect. This type of loan structure emphasizes short-term "stabilization" measures, which are aimed at reducing aggregate domestic supply, or consumption, by imposing restraints on fiscal deficits and domestic credit availability. It is this type of structural adjustment that is intended to reduce recurrent government expenditures such as staff salaries, government administrative costs, or public subsidy programs. These cuts have a serious impact on fledgling public environmental agencies, since it is most often these organizations that will be shut down, merged with other government agencies, or lose funding and personnel when government spending cuts are mandated by structural adjustment programs.

It cannot be overemphasized that conservation of the world's natural resources in developing nations will be ineffective unless conservation is fostered and developed in a local manner. Only in this way can the particular social, economic, and traditional needs be identified and factored into the creation of suitable conservation practices. Structural adjustment hinders the development of a local capacity to address conservation needs by limiting the formation of locally generated policy. Meanwhile, the EAI intends to set up conservation programs that will be managed by local nongovernmental organizations (NGOs) that are likely to be heavily influenced by the Washington-based "Environment for the Americas Board," composed mainly of U.S. government representatives. According to Manuel Baquedano of Chile's Institute of Political Ecology, this bias may further enforce trends toward the marginalization of sectors that criticize

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certain aspects of the EAI as well as the fragmentation of what could otherwise become a unified environmental movement.[68] In order for U.S. policy for Latin America to be useful for conservation, it must avoid the dual approach of providing environmental funds that will be managed with very little local control while effectively shutting down local environmental agencies that are now in their early stages of development.

ADJUSTMENT AND EXPORT PROMOTION

Through the continued support of increased production for export as a remedy for balance-of-payment problems, structural adjustment serves to further environmental degradation in yet another manner. Adjustment loan policy, advised by the World Bank, usually addresses balance-of-payment problems by imposing reforms in exchange rate and trade policies. From 1980 to 1985, World Bank conditions relating to trade policy reforms were attached to all 23 loans made to 12 countries in Latin America.[69] The instruments used to enforce reform in these areas consist of export incentives, reduction or removal of restrictions on imported inputs for export production, substitution of quantitative restrictions by tariffs, and currency devaluation. The negative historical examples of agro-export development and expansion in Latin America should alert us to the fact that by exerting additional pressure to produce for export through EAI structural conditionality, U.S. policy will further contribute to overexploitation of Latin America's natural resource base. The drive to increase exports is known to have led to intensive pesticide and herbicide use and expansion in the size of the export production land base, which cumulatively cause the poisoning of rivers and estuaries, contamination of the food supply, and colonization of the displaced poor into fragile land areas such as rainforests. The effects of relocation into marginal production areas contribute to deforestation through nonresilient slash-and-burn agriculture and cattle ranching, as well as soil erosion, watershed destruction, and siltation of rivers and streams.

Adding to the damage caused by structural adjustment export promotion is the complementary trade stabilization measure of currency devaluation. The costs of agricultural inputs—for example, petrochemicals purchased from multinational corporations such as Bayer and Monsanto—rise immediately upon currency devaluation to reflect the "true value" of the country's currency. Higher costs of production, coupled with the instability of agricultural commodity prices on the international market, can often bring total costs of production to levels much higher than the revenues received. Two situations emerge from this trend. First, the push to produce and export more, in

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order to obtain higher levels of foreign currency, subjects the land base to highly intensified use patterns. Second, the export growth, expected to serve mounting debt, fails to materialize. This occurs precisely because of the rise in production costs and low agricultural commodity price on the international market. In many Latin American countries, external debt and debt servicing rose sharply, while employment and per capita gross domestic product (GDP) fell drastically throughout the 1980s, partially as a result of structural adjustment.[70] Trade adjustment policies are therefore contributing to environmental degradation while failing to contribute to the goals of sustainable development for the Latin American region.

Environmental Funding: Is Protection Possible?

As this analysis of the EAI unfolds, the bulk of the evidence presented underlines the fundamental forces of environmental degradation inherent in the EAI: a perpetuation of, rather than a departure from, development patterns that deepen the already profound disequilibrium between human beings and the environmental systems that sustain them. Indeed, this present paradigm of development even permeates the conservation strategy proposed by the Initiative, which, as defined through environmental funding in the EAI, leaves the primary structures of devastation largely unchallenged. The protection of sensitive ecosystems in Latin America, and the people who rely on them, necessitates alleviation of the underlying forces of destruction, namely extreme poverty, government subsidized forest clearing, and insecure land tenure. Instead of confronting these forces, the Initiative will most likely induce further environmental devastation and poverty—while it continues to ignore these "externalities" of economic growth—and it will invariably fail to contribute to the protection of the environment and the improvement of social conditions. The benefits that are promised through the debt-for-environment program, such as debt alleviation and the protection of the wildlands set aside under these programs, are considerably diminished in light of the continued social, economic and environmental pressures the Initiative fails to confront.

If there is to be a sustained commitment to effective environmental protection, it is an absolute imperative that Latin American nations be left to define, develop and implement appropriate environmental management, based on the specific needs of each country's people and ecology. In the past, predominant NGO participation in environmental management in Latin America has "strongly influenced the type of projects carried out and limits the effective participation of [local]

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government agencies. As a result, [local] agencies lose opportunities to become more effective and develop their experience and skills."[71] As Alan Patterson, a policy analyst and development planner, writes, "swaps show a distinct bias against major [local] government agency participation."[72] If such agencies lack access to environmental conservation planning, then it is probable that local development, community, and environmental groups will be permitted to contribute even less to local environmental planning.

Presently, debt-for-environment swaps are ill-equipped to contribute to the development of policy consistent with democratic management of natural resources. A seminar conducted by the Brazilian Institute for Economic and Social Analysis (IBASE) concluded that "the mechanism which exchanges foreign debt for environmental benefits does not contribute to the development of environmental policies ... which might lead to resource conservation and a better quality of life for local people ... instead, the groups and interests involved (creditors, governments, environmental agencies) make local participation difficult."[73] In the current format of the EAI's Environmental Fund, the establishment of a local administering body for the fund is not required before an agreement is signed, making the implementation of sound environmental measures at the local level quite difficult. As representatives of the Natural Resources Defense Council have pointed out, "there is no strong incentive for the local government to have an environmentally responsible body or to spend funds in a manner consistent with sustainable development."[74]

Northern conservation groups are using the "inverse of a sound strategy" in their efforts to create and to enforce reserves systems. By demarcating these areas, and then dealing with the indigenous peoples of these areas ex post facto, it is impossible to combine the social needs of the local population with plans for biodiversity conservation.[75] A recent document produced by the International Working Group for Indigenous Affairs noted that:, "unless indigenous territorial rights are recognized as a condition of and in coordination with all other conservation strategies, local people risk being expelled from their lands."[76]

In the absence of sound coordinated environmental strategies, conservation efforts carried out by Northern groups through the EAI's "Environmental Fund" swaps will continue to be unenforceable, and extremely damaging to the region's local populations. Examples can be drawn from past experiences in Bolivia and Honduras. "Bolivia agreed to spend $250,000 to protect the Chimanes forest by setting up a protected forest in return for environmental organizations paying off a part of its national debt."[77] "However, the buffer zone is not a wilderness preserve, as it has been presented in the U.S. press, but an area

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where cattle production (for export) and lumbering are being promoted."[78] This swap also had negative consequences for the indigenous peoples of this area: "The Chimanes Indians were not consulted and were 'encouraged' to move to this buffer zone."[79] In the case of Honduras' attempt to save its largest park—the Rio Platano Biosphere, in the Moskitia Rain Forest—the park was under management by the government environmental agency RENARE, the nongovernmental Honduran Ecological Association, the World Wildlife Fund and U.S. AID. Yet,

> The reserve is under tremendous pressure from landless peasants migrating out of the increasingly barren Choluteca region and contra-occupied zones, and from logging interests that include some of the most powerful people in the Honduran Congress, Multinational Corporations, and individual investors such as former U. S. Assistant Secretary of State Elliot Abrams and former Head of Southern Command Paul Gorman.[80]

Successful preservation programs require identification of the real causes of degradation, attention to the needs of forest-dwellers and the rainforest-colonizing poor, and carefully coordinated action with all of the organizations concerned with the protection and stability of the regions' ecosystems.

The projects funded in the past through the debt-for-nature mechanism[81] have been "strongly oriented toward parks, wildlands, and protection programs in general."[82] Yet, the shift in environmental thinking, which is a result of the concern for biological diversity, is turning away from the notion of single species protection and fosters an approach that embody species protection; it is moving toward an understanding that "ecological systems as a whole provide the basis for environmental protection."[83]

Biological diversity, or biodiversity, "refers to the variety and variability among and within living organisms and the ecological systems in which they occur."[84] The integrity of ecological systems is essential for the health, productivity, and natural regenerative capacity of a region. Due to the interdependence among ecological systems, the destruction of one area, for example tropical rainforests, would mean eventual damage to other areas in the world.[85] Biodiversity must also be maintained for

> ...encouraging alternative types of agricultural species as a protection against over-reliance on any particular variety, and [for enhancing] the preservation of ecosystems as a whole to ensure the survival of as many different species as possible.[86]

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The expansion of industrial-based growth, agricultural production, and migration of the poorer populations onto fragile land bases in Latin America are increasing habitat loss and changes in the global climate. This promises serious risks to the survival of biodiversity at each of three levels: genetic diversity, species diversity, and ecosystem diversity.

To deny the appropriateness of debt conversion does not diminish the need for the prevention and alleviation of environmental destruction. Rather, it is by recognizing the ineffectiveness of this mechanism to address the serious social-ecological crisis that new alternative approaches to environmental degradation can be created.

Conclusion

When we examine the inherent contradictions of the conventional development vision, with its preferences for investment and trade freedoms over the needs of people and the environment—and which defines short-term increases in economic activity as "progress"—it becomes apparent that this model of growth most effectively bars the path to sustainable development. Ultimately the core imperatives for sustainable policy programs—equitable control over natural resources, attention to human well-being, maintenance of the natural diversity and fertility of the ecological system, and sound, ecologically based modes of production—have failed to materialize in an innovative policy that could be geared toward the ecological balance central to sustainability.

The Initiative is testament to continued policy that remains stagnant in its rhetorical and systematic disregard for the potential exhaustion and collapse of local and regional ecosystems. If we are to choose between a disastrous confrontation or a constructive breakthrough, it is important to identify this character of the Initiative. First, it must be clarified that the Initiative represents little more than a political program designed to encourage economic transformation toward U.S. economic thinking. Second, the Initiative will most likely lead to further dislocation—in terms of environmental and social welfare—for Latin America. Third, the environmental degradation and poverty that can be expected to increase under this program remain unaddressed by a contingent environmental and social program that is designed to minimize damage and ease economic transition. Fourth, even the "Environmental Fund" proposed by the EAI undercuts the urgent need for ecological preservation and contributions to sustainablity. In addition, the Fund remains completely unequipped to achieve even its stated purpose—debt reduction and the protection of Latin American wildlands.

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This study contests the myth behind the Enterprise for the Americas Initiative that unrestrained, progress-oriented growth—as embodied in its notions of free trade—and ecological and social stability can be successfully incorporated into one comprehensive policy. The move toward free trade by industrialized nations, through political mechanisms such as GATT, NAFTA, and the EAI, and the very dynamics of capital accumulation and aggregation of economic power ensure the persistence of global environmental dislocation. If we allow ourselves to believe that the Initiative's concessionary environmental protection is better than no protection at all, this myth will prove all the more lethal. The minimal environmental provisions offered through the Initiative could prove, in fact, to be worse than no protection at all, since these measures serve to mask from view the need for truly effective conservation of vital ecological systems in Latin America.

The alternative to this program derives from a vastly different world view that places notions of sustainability at the forefront of any discussion of development. The importance of equity in sustainable development cannot be overemphasized. Innovative policies must be created: policies that succeed in combining sustainablity in terms of human development with conservation of nature, as a support for the satisfaction of basic needs. Only through the alleviation of poverty will encroachment of marginal lands by the displaced poor cease. A prerequisite for a serious dialogue focused on long-term environmental integrity for the region is the assurance of meeting basic needs for food, water, and shelter for Latin American peoples. This implies a development plan that departs from the traditional, where transnational corporations continue to dominate the international sphere, demanding ever-increasing access to world markets, and the "poor" countries remain impoverished after 40 years of rigorous adherence to prescribed development models. Indeed, free trade consists of a very narrow agenda; its concept of freedom is one that seeks to subordinate all social, ecological, and moral responsibilities to unfettered corporate expansion.

International trade does hold the capacity to be a viable channel for exchange, enrichment, and cooperation among nations. Yet, global interdependence need not and must not sacrifice our obligation to appropriately address the protection of our supporting ecological systems, in terms of material utilization, energy use, food production, pollution control, waste recycling, and industrial processes. Alternative development models include an internally driven strategy that emphasizes recovery based on small-scale agriculture and environmental restoration, the mobilization of internal resources to distribute equitably the costs and benefits of adjustment, the transformation of political power and promotion of popular participation, and the resolution of urban environmental problems through the strengthening of local NGOs, community-based groups, and local governments.

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This exploration has sought to identify the constraints to sustainable development from present international political and economic structures, in hopes that our understanding of these constraints will provide the motivation and tools for the deconstruction of the "master's house."

Endnotes

1. See Joshua Karliner, "Central America's Other War: The Environment Under Siege," *World Policy Journal* 6 (Fall 1989): 789.

2. Ibid.: 792.

3. United States Department of State, Bureau of Public Affairs, Enterprise for the Americas Initiative, President Bush, Current Policy no. 1288 (Washington, D.C.: Office of Public Communication, June 1990).

4. See Francis Moore-Lappé, Rachel Schurman, and Kevin Danaher, *Betraying the National Interest* (New York: Grove Press, 1987).

5. See Carlos Merlos Orellan, "La Initiativa para las Americas: Alcances y Limitaciónes," *Cuadernos de Investigación, Selección de Investigaciónes Económicas y Sociales-DEIS 10* (Septiembre 1990): 32.

6. United States Department of Commerce, Office on Latin America, *Fact Sheet: Enterprise for the Americas (EAI)* (25 October 1991): 11.

7. Ibid.: 5.

8. Ibid.: 6-7.

9. Ibid.: 6..

10. As proposed by the Bush Administration, free trade agreements will only be undertaken by the U.S. on terms fully consistent with the provisions of the General Agreements on Tariffs and Trade, GATT art. XXIV, relating to the illegality of tariffs and all other impediments to trade.

11. Ibid.: 3. The "Enterprise for the Americas Initiative Act of 1991" was transmitted to Congress 26 February 1991 and approved FY92.

12. Ibid.: 14.

13. Ibid.: 14.

14. See Ken Silverstein, "Latin America, Modernization and the New World Order," *Z Magazine*(October, 1992): 43.

15. See Merlos Orellana, "La Initiativa": 16-19.

16. See U.S. Department of Commerce, *Fact Sheet*: 15.

17. The Development Group for Alternative Policies, Inc., *An Analysis of the Enterprise for the Americas Initiative* (Washington, D.C.: The Development Group for Alternative Policies, 10 November 1990): 2. For exact amounts see later debt section.

18. U.S. Department of Commerce, *Fact Sheet*: 6.

19. Ibid.

20. Ibid.: 2.

21. Ibid.: 1.

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22. Mark Ritchie, "GATT, Agriculture and the Environment: The U.S. Double Zero Plan," *The Ecologist* (November/December 1990): 214-220.

23. Speech by Herbert Gunther, "GATT: the Hidden Agenda," (Boulder, CO: Enviro-Economics Conference, University of Colorado at Boulder, 15 February 1992).

24. Ritchie, "GATT": 214.

25. Ibid.

26. Ibid.

27. Ibid.

28. Development Group for Alternative Policies, in consultation with the Mobilization for Development, Trade, Labor and Environment, *Look Before You Leap: What You Should Know about a North American Free Trade Agreement* (Washington, D.C.: The Development Group for Alternative Policies, 1991): 6.

29. Ibid.: 3.

30. Ritchie, "GATT": 215.

31. Ibid.: 214.

32. Ibid.

33. Mark Ritchie, "Trading Away Our Environment" (Institute for Agriculture and Trade Policy and National Toxics Campaign Fund, May 1990): 2.

34. Ritchie, "GATT": 214-220.

35. Development Group for Alternative Policies, *Look Before You Leap*: 6.

36. Ibid.: 3.

37. Ritchie, "GATT": 216.

38. Ibid.: 217.

39. U.S. Department of Commerce, *Fact Sheet*: 6.

40. John Audley, "Nafta Analysis" (Sierra Club, Econet Message to Mike McCloskey and Carl Pope, 15 September 1992).

41. Ritchie, "GATT": 211.

42. See Andrew Gray, *Between the Spice of Life and the Melting Pot: Biodiversity Conservation and its Impact on Indigenous Peoples* (Copenhagen: International Working Group for Indigenous Affairs, Document 70, August 1991): 21-33.

43. Anil Agarwal and Sunita Narain, "A Royalty for Every Potato," *Earth Island Journal* (Winter 1992): 33.

44. See Gray, *Between the Spice of Life*: 55.

45. Ibid.: 44.

46. Ibid.: 47.

47. U.S. Department of Commerce, *Fact Sheet:* 12.

48. Statement by Stephen Hellenger of the Development Group for Alternative Policies on the Enterprise for the Americas Initiative. (U. S. Congress, House Subcommittee on Western Hemispheric Affairs, 27 February 1991).

49. Edward Goldsmith, "The Uruguay Round: Gunboat Diplomacy by Another Name," *The Ecologist* (November/December 1990): 203-204.

50. Ibid.

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52. Development Group for Alternative Policies, *Look Before You Leap*: 6.

53. Ibid.

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55. U.S. Department of Commerce, *Fact Sheet*.

56. Development Group for Alternative Policies, *Analysis of the EAI*.

57. Peter Hakim, "President Bush's Southern Strategy: the Enterprise for the Americas Initiative," to appear in *The Washington Quarterly* 15,2: 11.

58. Natural Resources Defense Council, letter to colleagues (Washington, D.C.: transcript from NDRC, 18 January 1991).

59. Development Group for Alternative Policies, *Analysis of the EAI*.

60. The case of Brazil is illustrative of this trend. The Brazilian government recently accepted the conversion of $100 million, less than 0.1 percent of the country's foreign debt, into ecological projects. But since Brazil has not been capable of paying its debt, according to the terms and amounts expected, for a number of years, "the cancellation of this debt in dollars will be merely an accountancy exercise, with no effect on its external accounts." Still, within the country's internal accounts, the conversion nevertheless creates the obligation to pay the debt in local currency. "Even though the amount to be paid out is reduced, fixed at 6 percent a year (debt bonds, once issued, are perpetual with no redeeming of the principal), this means the payment must be made out of public funds." Prior to Brazil's entrance into "debt-for-nature" conversion agreements Brazil would have left portions of the debt unpaid, whereas under new debt conversion plans Brazil will be forced to allocate additional funds. There are two ways in which payments can be made: either the necessary funds will be contracted from internal debt, creating inflation, or they will become part of the internal budget expenditures, "leading to cuts in essential expenditure, on heath and education, salary freezes, etc." Because of the budgetary and financial crisis faced by the Brazilian government, it is, in essence, the people of Brazil who will pay for the conversion of the debt.

61. Karliner, "Environment Under Siege": 804.

62. U.S. Department of Commerce, *Fact Sheet*: 16.

63. Natural Resources Defense Council, letter to colleagues: 2.

64. Ibid.

65. Development Group for Alternative Policies, *Look Before You Leap*: 1.

66. Ibid.

67. United Nations, Food and Agriculture Organization, *Aspects of Stabilization and Structural Adjustment Programmes on Food Security* (Rome: FAO Economic and Social Development Paper 89, 1989): 12.

68. Ibid.

69. Ibid.: 16.

70. Ibid.: 7.

71. Alan Patterson, "Debt for Nature Swaps and the Need for Alternatives," *Environment* (December 1990): 10.

72. Ibid.: 10.

73. IBASE, "Debt Swaps: A Southern View," *The Ecologist* (May/June 1992): 102.

74. Development Group for Alternative Policies, *Analysis of the EAI*: 3.

75. See Gray, *Between the Spice of Life*: iii.

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76. Ibid.: iii.

77. Ibid.: 30.

78. Susanna Hecht and Alexander Cockburn, *The Fate of the Forest: Developers, Destroyers and Defenders of the Amazon* (New York: Harper Perennial, 1990): 227.

79. See Gray, *Between the Spice of Life*: 30.

80. Karliner, "Environment Under Siege": 803

81. The inspiration for the creation of the Initiative's Environmental Fund derives from the experiences of "debt-for-nature" swaps initiated by American conservation organizations, as has occurred in Bolivia, Equador, Costa Rica and the Dominican Republic.

82. Patterson, "Debt for Nature."

83. See Gray, *Between the Spice of Life*: 10.

84. Karen Borza and Dale Jamieson, "Global Change and Biodiversity Loss: Some Impediments to Response" (Boulder, CO: University of Colorado, 1990): 1.

85. See Gray, *Between the Spice of Life*: 10.

86. Ibid.

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